

ONE PAGER SHIKSHAN NIVESH

GOLD



SHIKSHAN NIVESH

"FROM KNOWLEDGE TO WEALTH: EDUCATE, ANALYZE, INVEST"

GOLD AS AN INVESTMENT: A STRATEGIC ASSET

Investment Rationale

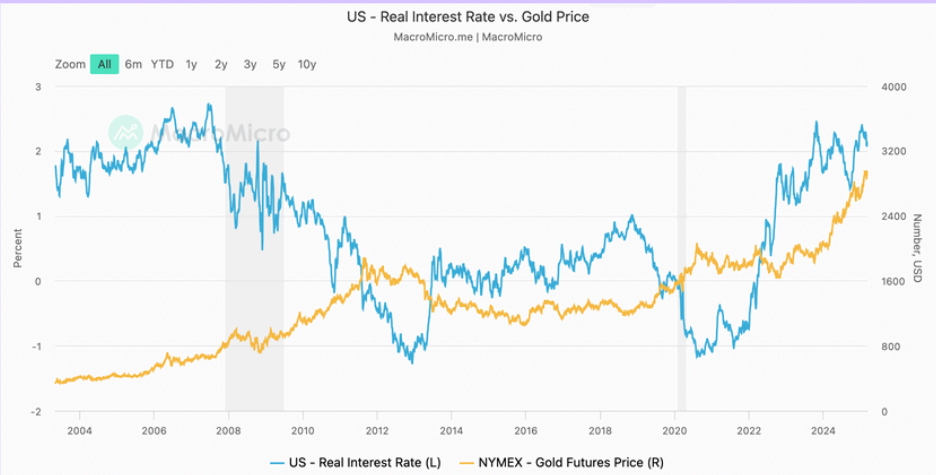
- Gold is a proven store of value, serving as a hedge against inflation, currency depreciation, and economic uncertainty.
- It exhibits low correlation with equities, making it an effective **portfolio diversifier**.
- Acts as a **safe-haven asset** during financial crises and geopolitical turmoil.

The China Factor: A Game Changer

- Over the past three years, the People's Bank of China (PBOC) has aggressively diversified its **foreign exchange reserves**.
- China has **reduced US Treasury holdings** while accumulating gold at a record pace.
- This unprecedented accumulation has **decoupled** gold prices from real interest rates, a phenomenon never observed before.

GOLD AND INTEREST RATE CORRELATION

- Traditionally, gold prices move **inversely** with real interest rates due to their non-yielding nature.
- **Higher real rates → Higher opportunity cost of holding gold → Lower gold prices.**
- However, since 2022, gold and silver have shown a positive correlation with rising rates due to central bank buying.
- Real interest rates are expected to decline, which could further fuel gold's price momentum.



Investment Methods & Market Share

Physical Gold	60%
Gold ETFs	15%
Sovereign Gold Bonds	10%
Gold Mutual Funds	5%
Gold Futures & Options	2%

Investment Risks

- Central Bank Policy Shifts: If global central banks reverse their gold-buying trend, prices may correct.
- US Dollar Strength: A strong USD could negatively impact gold's appeal as an alternative asset.
- Market Speculation: Gold rallies often attract speculative interest, leading to volatility.
- Geopolitical Stability: Reduced geopolitical tensions may dampen gold's safe-haven demand.

Gold's Strong Performance

- Outperforming Equities: Gold surged **+44%** in the last 12 months vs. S&P 500's **+11%**.
- YTD Gains: While the S&P 500 is down **-5%**, gold is up **+10%** in 2025.
- Key Drivers: Strong central bank buying (especially China) and macro uncertainty.
- Inflation Hedge: Falling real interest rates boost gold's appeal.

***Gold remains a strong hedge in uncertain times.**

Source: World Gold Council, People's Bank of China (PBOC) Reports & Bloomberg, Ambit Capital Research, RBI, MCX India, NSE India, MacroMicro

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